

Message Text

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17

ACTION LAB-04

INFO OCT-01 ISO-00 /005 W

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R 201530Z NOV 75

FM AMEMBASSY BELGRADE

TO SECSTATE WASHDC 4828

C O N F I D E N T I A L BELGRADE 6029

DEPT PASS TO DEPT OF LABOR FOR SECRETARY DUNLOP
AND DEPUTY UNDERSECRETARY JOEL SEGALL

FOLLOWING SENT ACTION SECSTATE INFO BUCHAREST
MOSCOW, SOFIA 13 NOV 75 BEING REPEATED FOR DEPT OF LABOR

QUOTE

C O N F I D E N T I A L BELGRADE 6029

PLSE PASS TO TREASURY FOR SECRETARY SIMON

E.O. 11652: GDS

TAGS: ECON, EIND, YO

SUBJECT: NATURE OF YUGOSLAV ENTERPRISES

1. IN A RECENT CONVERSATION WITH DR. BRANILAV COLANOVIC,
GOVERNOR NATIONAL BANK OF YUGOSLAVIA, MUCH OF WHICH
HAS ALREADY BEEN REPORTED, I RECEIVED SOME INTERESTING
INSIGHTS INTO THE NATURE OF YUGOSLAV ENTERPRISES AND
THEIR STRENGTHS AND WEAKNESSESS AS SEEN BY ONE OF
THE MORE ARTICULATE AND THOUGHTFUL SENIOR YUGOSLAV
OFFICIALS.

2. MANY WESTERNERS ARE INCLINED TO SEE SELF-MANAGED
ENTERPRISES AS BIASED TOWARDS OVERLY HIGH WAGES
BECAUSE OF WORKERS COUNCIL INFLUENCE AND THEREFORE
WAGE PRESSURES UNDERLIE INFLATIONARY PROBLEMS.
ACCORDING TO COLANOVIC THIS IS NOT SO. INFLATION IN
YUGOSLAVIA IS PRIMARILY CAUSED BY UNBRIDLED,
UNECONOMIC GROWTH OF ENTERPRISE, I.E., OVER-INVESTMENT.
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3. HE GAVE TWO REASONS FOR OVER-INVESTMENT. FIRST, SINCE SENIOR EXECUTIVES' INCOME, BECAUSE OF VARIOUS RESTRAINTS, IS NOT SIGNIFICANTLY ABOVE AVERAGE WORKER THEY GET PRIMARY PSYCHOLOGICAL SATISFACTION AND STATUS FROM GROWTH OF ENTERPRISE. (COMMENT: I AM REMINDED OF AUBREY'S BOOKS "TERRITORIAL IMPERATIVE" AND "AFRICAN GENESIS".)

4. SECONDLY, THE COMMUNITY SURROUNDING ENTERPRISE EXERTS PRESSURE TO INCREASE EMPLOYMENT POSSIBILITIES FOR UNEMPLOYED AND UNDER-EMPLOYED FRIENDS AND RELATIVES OF WORKERS. (COMMENT: IT IS ALWAYS DIFFICULT TO EXPLAIN WHO OWNS A YUGOSLAV ENTERPRISE IN PRACTICAL TERMS. COLANOVIC AGREED WITH MY SUGGESTION THAT THE SURROUNDING COMMUNITY IS THE BEST CANDIDATE.)

5. THE ABOVE EXPLANATION, ACCORDING TO COLANOVIC, IS THE REASON WHY DOLANC HAS RECENTLY CALLED FOR GREATER PRODUCTIVITY AND EFFICIENCY INCLUDING RECOGNITION OF THE NECESSITY OF MORE PRONOUNCED INCOME DIFFERENTIATION. INDEED, WE ARE TOLD THAT THE GOVERNMENT IS PRESENTLY CONSIDERING ENABLING ENTERPRISES TO DISCHARGE UNPRODUCTIVE WORKERS.

6. COLANOVIC AT ONE POINT VOLUNTEERED THAT A SOCIALIST ENTERPRISE IS INHERENTLY LESS EFFICIENT THAN ITS COUNTERPART IN THE WEST AND MUST COMPENSATE FOR ITS HANDICAP THROUGH CERTAIN VAGUELY DEFINED COMMUNITY AND GOVERNMENT SUPPORT.

7. HE EXPLAINED THAT AT PRESENT YUGOSLAV ENTERPRISES ARE TAXED ACCORDING TO THEIR WAGE BASE SINCE IDEOLOGICALLY THEIR PRODUCTIVITY IS MEASURED BY THE GROSS CONTRIBUTION OF THEIR WORKERS. HE INDICATED THE GOVERNMENT IS CONSIDERING CHANGING THE TAX STRUCTURE TO PROVIDE FOR TAXATION OF THE ENTERPRISES' CONTRIBUTION IN DIFFERENT TERMS WHICH IT SEEMS TO ME WOULD INEVITABLY RECOGNIZE THE MANAGERIAL OR ENTREPRENEURSHIP COMPONENT. ALTHOUGH THEY HAVE NOT CLEARLY ARTICULATED THIS CONCEPT NOR WHAT ITS

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INCENTIVES OR DIS-INCENTIVES WOULD BE COLANOVIC AGREED THAT IT WOULD HAVE SIGNIFICANT IDEOLOGICAL IMPLICATIONS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: WAGES, INDUSTRIAL PRODUCTION, BANKS, BUSINESS FIRMS, LABOR FORCE
Control Number: n/a
Copy: SINGLE
Draft Date: 20 NOV 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BELGRA06029
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750395-0800
From: BELGRADE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751147/aaaabqdi.tel
Line Count: 111
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION LAB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 05 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <05 MAY 2003 by BoyleJA>; APPROVED <21 OCT 2003 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: NATURE OF YUGOSLAV ENTERPRISES
TAGS: ECON, EIND, YO, (COLANOVIC, BRANISLAV)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006